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# **BANK ALJAZIRA**

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH  
PERIODS ENDED 30 SEPTEMBER 2022**

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Kingdom of Saudi Arabia  
License No. 25



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King Abdul Aziz Road (Malek Road)  
P.O. Box 1994  
Jeddah 21441  
Kingdom of Saudi Arabia  
Registration Number: 45

## **Independent Auditors' Review Report on the Interim Condensed Consolidated Financial Statements**

To the Shareholders of Bank AlJazira  
(A Saudi Joint Stock Company)

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of review***

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

### ***Other regulatory matter***

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 18 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 18 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**for PricewaterhouseCoopers**

Mufaddal A. Ali  
Certified Public Accountant  
License Number 447

**for Ernst & Young Professional Services**

Ahmed Ibrahim Reda  
Certified Public Accountant  
License Number 356

**6 Rabi Al-Thani 1444H  
31 October 2022G**



# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000	30 September 2021 (Unaudited) SR'000
	Notes			
<b>ASSETS</b>				
Cash and balances with Saudi Central Bank (SAMA)	15	5,308,851	5,386,871	6,090,255
Due from banks and other financial institutions, net		895,392	663,502	540,668
Investments, net	5	33,005,589	31,433,805	30,994,657
Positive fair value of Shari'ah compliant derivatives	9	261,001	12,058	40,199
Financing, net	6	67,712,106	62,434,476	58,439,318
Investment in an associate	7	215,305	211,143	209,936
Other real estate, net		505,864	507,743	511,523
Property and equipment, net		1,055,646	1,156,380	1,151,676
Other assets		1,380,785	1,021,343	599,514
<b>Total assets</b>		<b>110,340,539</b>	<b>102,827,321</b>	<b>98,577,746</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		10,250,861	6,410,080	8,323,813
Customers' deposits	8	82,279,800	78,365,149	74,263,749
Negative fair value of Shari'ah compliant derivatives	9	197,009	227,309	271,037
Subordinated Sukuk	10	2,023,504	1,994,685	-
Other liabilities		1,915,325	1,935,027	2,049,204
<b>Total liabilities</b>		<b>96,666,499</b>	<b>88,932,250</b>	<b>84,907,803</b>
<b>EQUITY</b>				
Share capital	11	8,200,000	8,200,000	8,200,000
Statutory reserve		3,075,441	2,917,273	2,808,942
Other reserves	12	(546,503)	(114,552)	(130,601)
Retained earnings		1,070,102	1,017,350	916,602
<b>Equity attributable to shareholders' of the Bank</b>		<b>11,799,040</b>	<b>12,020,071</b>	<b>11,794,943</b>
Tier 1 Sukuk	13	1,875,000	1,875,000	1,875,000
<b>Total equity</b>		<b>13,674,040</b>	<b>13,895,071</b>	<b>13,669,943</b>
<b>Total liabilities and equity</b>		<b>110,340,539</b>	<b>102,827,321</b>	<b>98,577,746</b>

  
Tarek Al-Kasabi  
Chairman

  
Naif Al Abdulkareem  
CEO and Managing Director

  
Hani Noori  
Chief Financial Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	For the three-month period ended		For the nine-month period ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
Notes	SR'000	SR'000	SR'000	SR'000
Income from investments and financing	930,728	757,648	2,569,317	2,217,340
Return on deposits and financial liabilities	(309,262)	(83,968)	(650,998)	(268,371)
<b>Net financing and investment income</b>	<b>621,466</b>	<b>673,680</b>	<b>1,918,319</b>	<b>1,948,969</b>
Fees from banking services - income	253,676	252,405	811,293	863,790
Fees from banking services - expense	(97,554)	(110,759)	(339,508)	(381,651)
Fees from banking services, net	156,122	141,646	471,785	482,139
Exchange income, net	63,775	42,107	153,210	124,677
Net gain / (loss) on FVIS financial instruments	10,021	6,837	12,787	(4,114)
Dividend income	23,318	28	25,152	643
Net gain on de-recognition of financial assets at FVOCI - Sukuk	3,295	11,440	7,113	14,977
Net gain on de-recognition of financial assets at amortised cost	671	825	25,512	78,504
Other operating income	2,459	1,694	60,342	6,341
<b>Total operating income</b>	<b>881,127</b>	<b>878,257</b>	<b>2,674,220</b>	<b>2,652,136</b>
Salaries and employee-related expenses	255,958	239,906	756,112	720,516
Rent and premises-related expenses	13,853	13,646	43,002	42,048
Depreciation and amortisation	47,039	51,031	144,288	148,385
Other general and administrative expenses	166,580	127,165	468,055	366,451
Other operating expenses	19,671	4,673	40,574	27,167
<b>Total operating expenses before impairment charge</b>	<b>503,101</b>	<b>436,421</b>	<b>1,452,031</b>	<b>1,304,567</b>
Impairment charge for financing and other financial assets, net	6 (b) 102,515	158,464	236,111	469,215
Impairment charge for other real estate	-	42,571	-	42,571
<b>Total operating expenses</b>	<b>605,616</b>	<b>637,456</b>	<b>1,688,142</b>	<b>1,816,353</b>
<b>Net operating income</b>	<b>275,511</b>	<b>240,801</b>	<b>986,078</b>	<b>835,783</b>
Share in net income of an associate	1,676	461	4,353	6,614
Gain on deemed disposal of an associate	-	-	-	39,390
<b>Net income for the period before zakat and income tax</b>	<b>277,187</b>	<b>241,262</b>	<b>990,431</b>	<b>881,787</b>
<b>Zakat and income tax</b>				
Zakat	(43,213)	(35,020)	(118,938)	(98,813)
Income tax	(1,308)	(1,714)	(6,156)	(5,694)
<b>Net income for the period</b>	<b>232,666</b>	<b>204,528</b>	<b>865,337</b>	<b>777,280</b>
Basic and diluted earnings per share for the period (expressed in SR per share)	11 0.28	0.23	1.01	0.92

  
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Chairman

  
Naif Al Abdulkareem  
CEO and Managing Director

  
Hani Noori  
Chief Financial Officer

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# Bank AlJazira

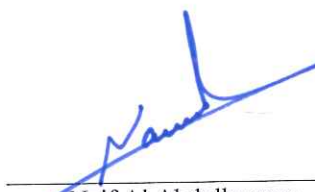
(A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

		For the three-month period ended		For the nine-month period ended	
		30 September 2022 SR'000	30 September 2021 SR'000	30 September 2022 SR'000	30 September 2021 SR'000
Notes					
Net income for the period		232,666	204,528	865,337	777,280
<b>Other comprehensive loss:</b>					
<i>Items that can be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>					
Cash flow hedges:					
- Effective portion of change in the fair value	12	71,544	8,222	245,786	51,080
- Net amount transferred to interim condensed consolidated statement of income	12	(25,583)	(5,418)	(79,425)	(6,682)
Net changes in fair value of investments classified as at FVOCI- debt	12	(164,000)	(40,030)	(546,198)	(75,423)
<i>Items that cannot be reclassified to interim condensed consolidated statement of income in subsequent periods</i>					
Net changes in fair value of investments classified as at FVOCI- equity	12	(26,371)	-	(52,114)	-
<b>Total other comprehensive loss for the period</b>		<b>(144,410)</b>	<b>(37,226)</b>	<b>(431,951)</b>	<b>(31,025)</b>
<b>Total comprehensive income for the period</b>		<b>88,256</b>	<b>167,302</b>	<b>433,386</b>	<b>746,255</b>



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# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

	Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Total shareholders' equity SR'000	Tier 1 Sukuk SR'000	Total equity SR'000
<b>Balance at 1 January 2022 (audited)</b>		8,200,000	2,917,273	(114,552)	1,017,350	12,020,071	1,875,000	13,895,071
Net income for the period		-	-	-	865,337	865,337	-	865,337
Other comprehensive loss	12	-	-	(431,951)	-	(431,951)	-	(431,951)
Total comprehensive income for the period		-	-	(431,951)	-	-	-	-
Transfer to Statutory Reserve		-	158,168	-	865,337	433,386	-	433,386
Tier 1 Sukuk issuance costs		-	-	-	(158,168)	-	-	-
Tier 1 Sukuk related costs		-	-	-	(946)	(946)	-	(946)
2021 final dividend		-	-	-	(38,471)	(38,471)	-	(38,471)
2022 interim dividend	19	-	-	-	(287,000)	(287,000)	-	(287,000)
<b>Balance at 30 September 2022 (unaudited)</b>		8,200,000	3,075,441	(546,503)	1,070,102	11,799,040	1,875,000	13,674,040
<b>Balance at 1 January 2021 (audited)</b>		8,200,000	2,665,754	(99,576)	598,321	11,364,499	-	11,364,499
Net income for the period		-	-	-	777,280	777,280	-	777,280
Other comprehensive loss	12	-	-	(31,025)	-	(31,025)	-	(31,025)
Total comprehensive income for the period		-	-	(31,025)	-	-	-	-
Transfer to Statutory Reserve		-	143,188	-	777,280	746,255	-	746,255
Tier 1 Sukuk issued		-	-	-	(143,188)	-	-	-
Tier 1 Sukuk issuance costs		-	-	-	-	-	1,875,000	1,875,000
Tier 1 Sukuk related costs		-	-	-	(8,937)	(8,937)	-	(8,937)
2021 interim dividend	19	-	-	-	(19,874)	(19,874)	-	(19,874)
<b>Balance at 30 September 2021 (unaudited)</b>		8,200,000	2,808,942	(130,601)	916,602	11,794,943	1,875,000	13,669,943

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# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

		For the nine month period ended	
	Notes	30 September 2022 SR'000	30 September 2021 SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before zakat and income tax		990,431	881,787
Adjustments to reconcile net income to net cash from operating activities:			
Net (gain) / loss on FVIS financial instruments		(21,724)	4,114
Gain on investments not held as FVIS		(32,625)	(93,481)
Return on subordinated sukuk		53,651	23,476
Depreciation and amortization		144,288	148,385
Impairment charge for financing and other financial assets, net	6 (b)	236,111	469,215
Impairment charge on other real estate		-	42,571
Provision for end of service benefit obligations		44,310	39,485
Share in net income of an associate		(4,353)	(6,614)
Gain on deemed disposal of an associate		-	(39,390)
Net (gain) / loss on disposal / write off of property and equipment		(51,155)	8,113
		1,358,934	1,477,661
<b>Net changes in operating assets:</b>			
Statutory deposit with SAMA		(121,915)	(601,177)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(45,236)	(16,880)
Investments held at FVIS		(475,361)	(3,058)
Positive fair value of Shari'ah compliant derivatives		(248,943)	95,024
Financing		(5,492,234)	(4,906,253)
Other real estate		1,879	(79,673)
Other assets		(359,442)	28,854
<b>Net changes in operating liabilities:</b>			
Due to banks and other financial institutions		3,840,781	(206,383)
Customers' deposits		3,914,651	6,260,137
Negative fair value of Shari'ah compliant derivatives		(30,300)	(40,368)
Other liabilities		177,554	19,018
		2,520,368	2,026,902
End of service benefits paid		(22,262)	(25,502)
Zakat and income tax paid		(162,871)	(6,258)
<b>Net cash generated from operating activities</b>		<b>2,335,235</b>	<b>1,995,142</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity and sale of investments not held as FVIS		7,087,558	2,059,423
Acquisition of investments not held as FVIS		(8,732,319)	(3,133,818)
Acquisition of property and equipment		(138,325)	(93,513)
Proceeds from sale of property and equipment		158,217	4
<b>Net cash used in investing activities</b>		<b>(1,624,869)</b>	<b>(1,167,904)</b>

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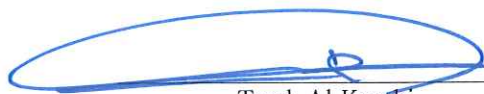
The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# Bank AlJazira


(A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)

		For the nine month period ended	
		30 September 2022 SR'000	30 September 2021 SR'000
	Notes		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Tier 1 sukuk issuance		-	1,875,000
Repayment of Tier 2 subordinated sukuk		-	(2,000,000)
Payment of sukuk related transaction costs		(4,076)	(3,539)
Payment of return on Tier 1 and Tier 2 sukuk		(61,775)	(28,109)
Dividends paid		(591,415)	(276,376)
Payment for principal portion of lease liabilities		(64,129)	(57,188)
Net cash used in financing activities		(721,395)	(490,212)
Net change in cash and cash equivalents held		(11,029)	337,026
Cash and cash equivalents at the beginning of the period		1,740,036	2,076,343
Cash and cash equivalents at the end of the period	15	1,729,007	2,413,369
Income from investments and financing received during the period		2,314,997	2,112,316
Return on deposits and financial liabilities paid during the period		488,514	337,854
<b>Supplemental non-cash information</b>			
Right of use assets		12,291	59,055
Lease liabilities		12,291	59,055
Net changes in fair value and transfers of cash flow hedge derivatives to the interim condensed consolidated statement of income		166,361	44,398



Tarek Al-Kasabi  
Chairman



Naif Al Abdulkareem  
CEO and Managing Director



Hani Noori  
Chief Financial Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

### 1. GENERAL

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira (the “Bank”) and its subsidiaries (collectively referred to as the “Group”). Bank AlJazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated 12 Jumad Al-Thani 1395H (21 June 1975). The Bank commenced its business on 16 Shawwal 1396H (9 October 1976) with the takeover of The National Bank of Pakistan’s branches in the Kingdom of Saudi Arabia under commercial registration number 4030010523 dated 29 Rajab 1396H (27 July 1976) issued in Jeddah. The Bank is regulated by the Saudi Central Bank (SAMA). The Bank operates through its 82 branches (31 December 2021: 81 branches and 30 September 2021: 80 branches) and 54 Fawri Remittance Centers (31 December 2021: 62 and 30 September 2021: 62 Fawri Remittance Centers) in the Kingdom of Saudi Arabia. The Bank’s Head Office is located at the following address:

Bank AlJazira  
7724 King Abdulaziz Road - Al-Shatea District  
Jeddah 23513 - 3551  
P.O. Box 6277, Jeddah 21442  
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari’ah compliant (non-interest based) banking products and services comprising of Murabaha, Istisna’a, Ijarah, Tawaraq, Musharaka, Wa’ad Fx and Sukuk which are approved and supervised by an independent Shari’ah Board established by the Bank. The Bank’s shares are listed on Saudi Exchange in the Kingdom of Saudi Arabia.

The details of the Bank’s subsidiaries are as follows:

		<b>Country of incorporation</b>	<b>Nature of business</b>	<b>Ownership (direct and indirect) 30 September 2022</b>	<b>Ownership (direct and indirect) 31 December 2021</b>	<b>Ownership (direct and indirect) 30 September 2021</b>
<b>Subsidiaries</b>						
AlJazira Capital	Company	Kingdom of Saudi Arabia	Brokerage, margin financing and asset management	100%	100%	100%
Aman Development and Real Estate Investment Company		Kingdom of Saudi Arabia	Holding and managing real estate collaterals on behalf of the Bank	100%	100%	100%
Aman Insurance Agency Company (under liquidation – note (a) below)		Kingdom of Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	100%	100%	100%
AlJazira Securities Limited		Cayman Islands	Carryout Shari’ah compliant derivative and capital market transactions	100%	100%	100%
BAJ Sukuk Tier 1 Limited		Cayman Islands	Trustee for issuance of Tier 1 capital certificates	100%	100%	100%

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 1. GENERAL (continued)

As at 30 September 2022, the Group has substantial ownership in seven mutual funds amounting to SR 663.18 million. However, the investments are held for the purpose of initial launch of the funds and will be reduced by the future subscriptions by incoming investors. Furthermore, should the funds be consolidated, the impact individually or collectively will not be material to the interim condensed consolidated financial statements. Accordingly, the funds are not consolidated in these interim condensed consolidated financial statements.

During financial year 2021, the Company applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was refused, as SAMA had issued Rule governing bancassurance activities during May 2020 which require the banks to carry out Bancassurance business directly. This, as a result, has restricted the ability of the Company to carry out business activities and therefore, management of the Company has decided to initiate the winding up procedures which are in process as at 30 September 2022.

The details of the Bank's associate is as follows:

Associate	Country of incorporation	Nature of business	Ownership (direct and indirect) 30 September 2022	Ownership (direct and indirect) 31 December 2021	Ownership (direct and indirect) 30 September 2021
AlJazira Takaful Ta'awuni Company	Kingdom of Saudi Arabia	Fully Shari'ah compliant protection and saving products	26.03%	26.03%	26.03%

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 September 2022, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021. The consolidated financial statements of the Group as at and for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation were consistent with those that were applied to the consolidated financial statements as at and for the year ended 31 December 2021, except for new amendments that are applicable from the period beginning 1 January 2022 as disclosed in note 4(a).

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

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### 2. BASIS OF PREPARATION (continued)

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands except where otherwise stated and the functional currency of the Bank is Saudi Riyal.

### 3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the interim condensed financial statements of Bank AlJazira and its subsidiaries as set out in Note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

The interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### a) Subsidiaries

Subsidiaries are entities which are controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

- i. the Group has power over an entity;
- ii. the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii. the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

#### b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

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### 3. BASIS OF CONSOLIDATION (continued)

#### c) Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### d) Investment in an associate

Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/ (losses) based on the latest available financial information) less impairment, if any.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the interim condensed consolidated statement of income.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of the investment in the interim condensed consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. Several amendments apply for the first time in 2022 but do not have impact on these interim condensed consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### a) New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any significant impact on the interim condensed consolidated financial statements of the Group, unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs	effective 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'</i> specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022.

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### 4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS (continued)

#### b) Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after 1 January 2023. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.  Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.  Note that the IASB has issued a new exposure draft proposing change to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.  IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.  The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 5. INVESTMENTS

Investments are classified as follows:

30 September 2022 (Unaudited)			
SR'000			
	Domestic	International	Total
<b>i) FVIS</b>			
Mutual funds	6,123	757,754	763,877
	6,123	757,754	763,877
<b>ii) FVOCI</b>			
Equities – unquoted	4,143	665	4,808
Sukuk investments – equity	1,460,976	196,433	1,657,409
Sukuk investments – debt	7,569,850	-	7,569,850
	9,034,969	197,098	9,232,067
Allowance for impairment	(3,117)	-	(3,117)
	9,031,852	197,098	9,228,950
<b>iii) Amortised cost</b>			
Sukuk investments	19,509,383	-	19,509,383
Wakala floating rate notes	3,511,248	-	3,511,248
	23,020,631	-	23,020,631
Allowance for impairment	(7,869)	-	(7,869)
	23,012,762	-	23,012,762
<b>Total</b>	<b>32,050,737</b>	<b>954,852</b>	<b>33,005,589</b>

31 December 2021 (Audited)			
SR'000			
	Domestic	International	Total
<b>i) FVIS</b>			
Mutual funds	202,755	59,688	262,443
Equities – quoted	4,349	-	4,349
	207,104	59,688	266,792
<b>ii) FVOCI</b>			
Equities – unquoted	4,143	742	4,885
Sukuk investments – equity	50,500	135,548	186,048
Sukuk investments – debt	3,872,853	-	3,872,853
	3,927,496	136,290	4,063,786
Allowance for impairment	(295)	(130)	(425)
	3,927,201	136,160	4,063,361
<b>iii) Amortised cost</b>			
Sukuk investments	22,205,575	-	22,205,575
Wakala floating rate notes	4,904,263	-	4,904,263
	27,109,838	-	27,109,838
Allowance for impairment	(6,186)	-	(6,186)
	27,103,652	-	27,103,652
<b>Total</b>	<b>31,237,957</b>	<b>195,848</b>	<b>31,433,805</b>

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 5. INVESTMENTS (continued)

	30 September 2021 (Unaudited)		
	SR'000		
	Domestic	International	Total
i) FVIS			
Mutual funds	196,673	250,549	447,222
Equities – quoted	2,736	-	2,736
	199,409	250,549	449,958
ii) FVOCI			
Equities – unquoted	4,143	755	4,898
Sukuk investments – equity	187,969	-	187,969
Sukuk investments – debt	2,232,977	-	2,232,977
	2,425,089	755	2,425,844
iii) Amortised cost			
Sukuk investments	23,221,447	-	23,221,447
Wakala floating rate notes	4,904,029	-	4,904,029
	28,125,476	-	28,125,476
Allowance for impairment	(6,621)	-	(6,621)
	28,118,855	-	28,118,855
Total	30,743,353	251,304	30,994,657

### 6. FINANCING, NET

The financing is classified as at amortized cost as follows:

	SR'000				
	<u>Credit cards</u>	<u>Consumer</u>	<u>Commercial</u>	<u>Others</u>	<u>Total</u>
<b>30 September 2022 (Unaudited)</b>					
Performing financing	718,083	29,754,826	38,401,054	301,484	69,175,447
Non-performing financing	61,908	301,404	1,094,147	10,991	1,468,450
<b>Gross financing</b>	<b>779,991</b>	<b>30,056,230</b>	<b>39,495,201</b>	<b>312,475</b>	<b>70,643,897</b>
Allowance for impairment	(80,294)	(213,270)	(2,632,493)	(5,734)	(2,931,791)
<b>Financing, net</b>	<b>699,697</b>	<b>29,842,960</b>	<b>36,862,708</b>	<b>306,741</b>	<b>67,712,106</b>

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**6. FINANCING, NET (continued)**

Financing, net represents Shari'ah compliant products in respect of Murabaha agreements, Ijarah, Istisnaat, Musharaka and Tawarruq.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 6. FINANCING, NET (continued)

a) Movement in allowance for impairment is as follows:

	<b>30 September 2022 (Unaudited) SR'000</b>	<b>31 December 2021 (Audited) SR'000</b>	<b>30 September 2021 (Unaudited) SR'000</b>
Balance at the beginning of the period / year	2,637,997	2,192,997	2,192,997
Impairment charge for financing	472,265	764,896	573,509
Bad debts written off	(34,849)	(159,179)	(132,165)
Reversal of amounts previously impaired	(143,622)	(160,886)	(132,945)
Allowance written back	-	169	169
Balance at the end of the period / year	<u>2,931,791</u>	<u>2,637,997</u>	<u>2,501,565</u>

b) Net impairment charge for financing and other financial assets for the period in the interim condensed consolidated statement of income comprised of:

	<b>30 September 2022 (Unaudited) SR'000</b>	<b>30 September 2021 (Unaudited) SR'000</b>
Impairment charge for financing	472,265	573,509
Reversal of amounts previously impaired	(143,622)	(132,945)
Recoveries from debts previously written off	(114,039)	(12,419)
Net impairment charge for ECL in respect of due from banks and other financial institutions	2,252	123
Net impairment charge / (reversal) for ECL in respect of investments	4,375	(1,407)
Net impairment charge for ECL in respect of non-funded financing and credit related commitments	14,880	42,354
Impairment charge for financing and other financial assets, net	<u>236,111</u>	<u>469,215</u>

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 6. FINANCING, NET (continued)

- c) The following table explains changes in gross carrying amount of the financing to help explain their significance to the changes in the loss allowance.

	30 September 2022 (Unaudited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
	(SR'000)			
<b>Gross carrying amount as at 1 January 2022</b>	<b>57,840,055</b>	<b>3,429,865</b>	<b>3,802,553</b>	<b>65,072,473</b>
Transfer to 12-month ECL	156,002	(128,367)	(27,635)	-
Transfer to lifetime ECL not credit – Impaired	(299,553)	334,781	(35,228)	-
Transfer to lifetime ECL credit impaired	(117,153)	(270,880)	388,033	-
New financial assets originated	16,323,824	224,714	-	16,548,538
Financial assets that have been derecognized	(9,422,059)	(555,697)	(87,018)	(10,064,774)
Changes in financing income accrual	206,471	-	-	206,471
Other movements	(944,632)	(71,462)	(67,868)	(1,083,962)
Write-offs	-	-	(34,849)	(34,849)
<b>Gross carrying amount as at 30 September 2022</b>	<b>63,742,955</b>	<b>2,962,954</b>	<b>3,937,988</b>	<b>70,643,897</b>

	31 December 2021(Audited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
	(SR'000)			
Gross carrying amount as at 1 January 2021	48,741,158	4,292,092	3,120,958	56,154,208
Transfer to 12-month ECL	1,020,894	(1,015,410)	(5,484)	-
Transfer to lifetime ECL not credit – Impaired	(1,436,813)	1,446,853	(10,040)	-
Transfer to lifetime ECL credit impaired	(230,227)	(850,657)	1,080,884	-
New financial assets originated	17,698,545	95,715	75,178	17,869,438
Financial assets that have been derecognized	(7,387,352)	(277,224)	(282,404)	(7,946,980)
Changes in financing income accrual	(37,058)	-	-	(37,058)
Other movements	(529,092)	(261,504)	(17,360)	(807,956)
Write-offs	-	-	(159,179)	(159,179)
Gross carrying amount as at 31 December 2021	57,840,055	3,429,865	3,802,553	65,072,473

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 6. FINANCING, NET (continued)

	30 September 2021 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2021	48,741,158	4,292,092	3,120,958	56,154,208
Transfer to 12-month ECL	875,019	(869,652)	(5,367)	-
Transfer to lifetime ECL not credit – Impaired	(457,621)	467,550	(9,929)	-
Transfer to lifetime ECL credit impaired	(248,385)	(853,785)	1,102,170	-
New financial assets originated	11,770,232	84,122	37,158	11,891,512
Financial assets that have been derecognized	(5,362,262)	(253,616)	(253,030)	(5,868,908)
Changes in financing income accrual	9,884	-	-	9,884
Other movements	(970,496)	(127,214)	(15,938)	(1,113,648)
Write-offs	-	-	(132,165)	(132,165)
Gross carrying amount as at 30 September 2021	<u>54,357,529</u>	<u>2,739,497</u>	<u>3,843,857</u>	<u>60,940,883</u>

Other movements mainly represent changes in exposures for customers where there has been no change in the stage during the period.

d) An analysis of changes in ECL for financing is, as follows:

	30 September 2022 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2022	170,741	222,807	2,244,449	2,637,997
Transfer to 12-month ECL	14,992	(1,820)	(13,172)	-
Transfer to lifetime ECL not credit – impaired	(2,506)	20,170	(17,664)	-
Transfer to lifetime ECL credit impaired	(1,270)	(5,393)	6,663	-
Net re-measurement of loss allowance	31,810	103,619	291,744	427,173
New financial assets originated	57,300	622	-	57,922
Financial assets that have been derecognized	(27,888)	(76,092)	(52,472)	(156,452)
Write-offs	-	-	(34,849)	(34,849)
ECL as at 30 September 2022	<u>243,179</u>	<u>263,913</u>	<u>2,424,699</u>	<u>2,931,791</u>

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 6. FINANCING, NET (continued)

	31 December 2021 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2021	335,609	298,170	1,559,218	2,192,997
Transfer to 12-month ECL	13,658	(10,909)	(2,749)	-
Transfer to lifetime ECL not credit – impaired	(9,876)	13,969	(4,093)	-
Transfer to lifetime ECL credit impaired	(1,345)	(127,549)	128,894	-
Net re-measurement of loss allowance	(183,775)	65,769	704,892	586,886
New financial assets originated	55,586	1,567	37,473	94,626
Financial assets that have been derecognized	(39,116)	(18,210)	(20,007)	(77,333)
Write-offs	-	-	(159,179)	(159,179)
ECL as at 31 December 2021	<u>170,741</u>	<u>222,807</u>	<u>2,244,449</u>	<u>2,637,997</u>
	30 September 2021 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at January 1, 2021	335,609	298,170	1,559,218	2,192,997
Transfer to 12-month ECL	35,467	(32,771)	(2,696)	-
Transfer to lifetime ECL not credit – impaired	(2,345)	6,367	(4,022)	-
Transfer to lifetime ECL credit impaired	(1,730)	(127,510)	129,240	-
Net re-measurement of loss allowance	(118,410)	(14,244)	578,532	445,878
New financial assets originated	40,289	2,456	17,865	60,610
Financial assets that have been derecognized	(28,700)	(14,300)	(22,755)	(65,755)
Write-offs	-	-	(132,165)	(132,165)
ECL as at September 30, 2021	<u>260,180</u>	<u>118,168</u>	<u>2,123,217</u>	<u>2,501,565</u>

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 7. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the investment made by the Group in AlJazira Takaful Ta'awuni Company ("AJT"). The Group effectively holds 26.03% (31 December 2021: 26.03% and 30 September 2021: 26.03%) shareholding in AJT.

The share of total comprehensive income in an associate represents the Group's share in the total comprehensive income of AJT and was based on the latest available financial information of AJT for the period ended 30 June 2022. AJT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in AJT as of 30 September 2022 was SR 229.04 million (31 December 2021: SR 286.87 million and 30 September 2021: SR 349.74 million) based on Tadawul market price.

### 8. CUSTOMERS' DEPOSITS

	<b>30 September 2022 (Unaudited) SR'000</b>	<b>31 December 2021 (Audited) SR'000</b>	<b>30 September 2021 (Unaudited) SR'000</b>
Demand	<b>41,636,811</b>	38,504,625	37,269,679
Saving	<b>836,779</b>	983,845	817,842
Customers' time investments	<b>37,709,918</b>	37,057,540	34,344,766
Others	<b>2,096,292</b>	1,819,139	1,831,462
Total	<b>82,279,800</b>	78,365,149	74,263,749

Customers' time investments comprise deposits received on Shari'ah Compliant (non-commission based) Murabaha and Wakala products.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

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### 9. SHARIAH COMPLIANT DERIVATIVES

#### 9.1 Nature/type of derivatives held

In the ordinary course of business, the Group utilizes the following Shari'ah compliant derivative financial instruments for both trading and strategic hedging purposes:

##### a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal. For cross-currency profit rate swaps, principal, fixed and floating profit payments are exchanged in different currencies.

##### b) Options (Wa'ad Fx)

Foreign exchange options are transactions, whereby a client, in consideration for the payment of a fee agrees to enter into one or a series of trades in which one party (promisor) gives a commitment as a unilateral undertaking, to a second party (promisee).

An option can be a unilateral promise or combination of promises. The Group enters into the option depending on the client's risk profile, whereby the client may promise to buy, sell or buy and sell a currency with or without conditions for hedging its exposure.

#### 9.2 Purpose of derivatives

##### a) Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

##### b) Held for hedging purposes

The Group uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to profit rate risk and foreign exchange risk.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by Saudi Central Bank.

As part of its financial asset and liability management, the Group uses Shari'ah compliant derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risk. This is generally achieved by hedging specific transactions.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 9. SHARIAH COMPLIANT DERIVATIVES (continued)

#### 9.2 Purpose of derivatives (continued)

##### b) Held for hedging purposes (continued)

###### Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear profit at a variable rate. The Group uses profit rate swaps as cash flow hedges of these profit rate risks.

The gains on cash flow hedges reclassified to the interim condensed consolidated statement of income during the period are as follows:

	<b>30 September 2022 (Unaudited) SR'000</b>	<b>30 September 2021 (Unaudited) SR'000</b>
Income from investments and financing	<b>83,122</b>	7,776
Return on deposits and financial liabilities	<b>(3,697)</b>	(1,094)
Net gains on cash flow hedges reclassified to the interim condensed consolidated statement of income	<b>79,425</b>	6,682

The cash flow hedges of profit rate swap were highly effective in offsetting the variability of return on investments, deposits and other financial liabilities.

Fair value gain on cash flow hedges amounting to SR 245.79 million (30 September 2021: SR 51.08 million) included in the interim condensed consolidated statement of comprehensive income comprised of net unrealized gain of SR 276.73 million (30 September 2021: net unrealized loss of SR 41.41 million) and net realized loss of SR 30.94 million (30 September 2021: realized gain of SR 92.49 million).

During the current and prior periods, the Bank sold certain of its profit rate swaps used for cash flows hedges. However, the gain / (loss) would continue to be classified in interim condensed consolidated statement of comprehensive income as the related hedge items are still outstanding. In accordance with the IFRS requirements, the gain / (loss) will be reclassified to interim condensed consolidated statement of income in the period when the cash flows pertaining to hedged items will affect the interim condensed consolidated statement of income. Accordingly, the Bank transferred a gain of SR 70.11 million from interim condensed consolidated statement of comprehensive income to interim condensed consolidated statement of income which pertains to floating rate notes sold during the current period.

The table below summarize the positive and negative fair values of the Group's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 9. SHARIAH COMPLIANT DERIVATIVES (continued)

30 September 2022 (Unaudited) SR'000			
	Positive fair value	Negative fair value	Notional amount
<b>Held for trading:</b>			
Options	4,960	4,960	63,239
Profit rate swaps	101,360	97,763	4,584,153
Cross currency profit rate swaps	18,927	40,332	1,875,000
Currency swaps	14,514	19,009	3,556,578
Currency forwards (Wa'ad)	1,620	1,379	232,369
<b>Total</b>	<b>141,381</b>	<b>163,443</b>	<b>10,311,339</b>
<b>Held as cash flow hedge:</b>			
Profit rate swaps	119,620	33,566	5,087,500
<b>Total</b>	<b>261,001</b>	<b>197,009</b>	<b>15,398,839</b>
31 December 2021 (Audited) SR'000			
	Positive fair value	Negative fair value	Notional amount
<b>Held for trading:</b>			
Options	333	335	33,143
Profit rate swaps	4,998	4,998	431,429
Cross currency profit rate swaps	411	13,208	1,875,000
Currency swaps	1,464	2,384	647,475
Currency forwards (Wa'ad)	27	61	18,048
<b>Total</b>	<b>7,233</b>	<b>20,986</b>	<b>3,005,095</b>
<b>Held as cash flow hedge:</b>			
Profit rate swaps	4,825	206,323	3,250,625
<b>Total</b>	<b>12,058</b>	<b>227,309</b>	<b>6,255,720</b>
30 September 2021 (Unaudited) SR'000			
	Positive fair value	Negative fair value	Notional amount
<b>Held for trading:</b>			
Profit rate swaps	16,703	16,703	443,219
Cross currency profit rate swaps	18,927	29,013	1,875,000
Currency swaps	-	2,194	743,175
Currency forwards (Wa'ad)	11	106	166,013
<b>Total</b>	<b>35,641</b>	<b>48,016</b>	<b>3,227,407</b>
<b>Held as cash flow hedge:</b>			
Profit rate swaps	4,558	223,021	3,250,625
<b>Total</b>	<b>40,199</b>	<b>271,037</b>	<b>6,478,032</b>

Held for trading profit rate swaps include accrued receivable amounting to SR 35.49 million (31 December 2021: SR 1.75 million and 30 September 2021: SR 20.16 million) and accrued payable amounting to SR 37.44 million (31 December 2021: SR 1.80 million and 30 September 2021: SR 22.33 million). Held as cash flow hedge profit rate swaps include accrued receivable amounting to SR 13.87 million (31 December 2021: SR 4.83 million and 30 September 2021: SR 4.56 million) and accrued payable amounting to SR 17.34 million (31 December 2021: SR 19.12 million and 30 September 2021: SR 23.05 million).

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 9. SHARIAH COMPLIANT DERIVATIVES (continued)

Pursuant to changes in certain international laws, the Bank has established a Special Purpose Vehicle (SPV) namely AlJazira Securities Limited and intends to transfer all of its Profit rate swaps ("PRS") derivatives, hedged or traded, to this SPV. In this connection, initially, a novation agreement has been signed among the Bank, the SPV and one of the counter party. Going forward, the SPV will execute all the derivatives with counterparties with a back to back transaction with the Bank. As the change was necessitated by laws, management believe that existing hedging relationships continue to be effective.

### 10. SUBORDINATED SUKUK

On December 08, 2021, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 155 basis point per annum and payable semi-annually in arrears on December 08 and June 08 each year until December 08, 2031, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after December 08, 2026 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. These Sukuk are registered with Saudi Exchange (Tadawul).

### 11. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 820 million shares of SR 10 each (31 December 2021: 820 million shares of SR 10 each and 30 September 2021: 820 million shares of SR 10 each).

Basic earnings per share for the current and prior period is calculated by dividing the net income for the period attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk related costs) by the weighted average number of ordinary shares outstanding.

	For the three month period ended		For the nine month period ended	
	30 September 2022 (Unaudited) <u>SR'000</u>	30 September 2021 (Unaudited) <u>SR'000</u>	30 September 2022 (Unaudited) <u>SR'000</u>	30 September 2021 (Unaudited) <u>SR'000</u>
<b>Profit attributable to ordinary shareholders</b> (adjusted for Tier 1 sukuk related costs)				
For basic and diluted earnings per share	<u>233,078</u>	<u>185,065</u>	<u>826,866</u>	<u>757,406</u>
<b>Weighted-average number of ordinary shares</b>				
For basic and diluted earnings per share	<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>
Basic and diluted earnings per share (in SR)	<u>0.28</u>	<u>0.23</u>	<u>1.01</u>	<u>0.92</u>

The calculations of basic and diluted earnings per share are same for the Bank.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 12. OTHER RESERVES

<b><u>30 September 2022</u></b> <b><u>(Unaudited)</u></b>	<b>Cash flow hedges <u>SR' 000</u></b>	<b>Fair value reserve – FVOCI debt <u>SR' 000</u></b>	<b>Fair value reserve – FVOCI equity <u>SR' 000</u></b>	<b>Actuarial Gains <u>SR' 000</u></b>	<b>Total <u>SR' 000</u></b>
Balance at beginning of the period	(106,891)	(41,949)	-	34,288	(114,552)
Net change in fair value	245,786	(546,198)	(52,114)	-	(352,526)
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(79,425)	-	-	-	(79,425)
Net movement during the period	166,361	(546,198)	(52,114)	-	(431,951)
Balance at end of the period	59,470	(588,147)	(52,114)	34,288	(546,503)
<b><u>31 December 2021</u></b> <b><u>(Audited)</u></b>	<b>Cash flow hedges <u>SR' 000</u></b>	<b>Fair value reserve – FVOCI debt <u>SR' 000</u></b>	<b>Fair value reserve – FVOCI equity <u>SR' 000</u></b>	<b>Actuarial gains <u>SR' 000</u></b>	<b>Total <u>SR' 000</u></b>
Balance at beginning of the year	(158,638)	36,560	-	22,502	(99,576)
Net change in fair value	63,847	(78,509)	-	-	(14,662)
Transfer to consolidated statement of income	(12,100)	-	-	-	(12,100)
Actuarial gains on employee benefit obligation	-	-	-	11,786	11,786
Net movement during the year	51,747	(78,509)	-	11,786	(14,976)
Balance at end of the year	(106,891)	(41,949)	-	34,288	(114,552)

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 12. OTHER RESERVES (continued)

<u>30 September 2021</u> <u>(Unaudited)</u>	Cash flow hedges <u>SR' 000</u>	Fair value reserve – FVOCI debt <u>SR' 000</u>	Fair value reserve – FVOCI equity <u>SR' 000</u>	Actuarial gains <u>SR' 000</u>	Total <u>SR' 000</u>
Balance at beginning of the period	(158,638)	36,560	-	22,502	(99,576)
Net change in fair value	51,080	(75,423)	-	-	(24,343)
Transfer to interim condensed consolidated statement of income (note 9.2(b))	(6,682)	-	-	-	(6,682)
Net movement during the period	44,398	(75,423)	-	-	(31,025)
Balance at end of the period	<u>(114,240)</u>	<u>(38,863)</u>	<u>-</u>	<u>22,502</u>	<u>(130,601)</u>

### 13. TIER 1 SUKUK

During the year 2021, the Bank through a Shari'ah compliant arrangement ("the arrangement") issued cross border Tier 1 Sukuk (the "Sukuk"), amounting to SR 1.875 billion (denominated in US Dollars). This arrangement was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate is 3.95% per annum from date of issue up to 2026 and is subject to reset every 5 years. The applicable profit on the Sukuks is payable semi-annual in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

### 14. COMMITMENTS AND CONTINGENCIES

- The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at 31 December 2021.

# Bank AlJazira

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 14. COMMITMENTS AND CONTINGENCIES (continued)

b) The Bank's credit related commitments and contingencies are as follows:

	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000	30 September 2021 (Unaudited) SR'000
Letters of credit	1,562,079	1,492,763	1,128,527
Letters of guarantee	5,095,939	4,645,285	4,242,886
Acceptances	413,562	245,223	268,252
Irrevocable commitments to extend credit	1,176,239	354,918	476,168
<b>Total</b>	<b>8,247,819</b>	<b>6,738,189</b>	<b>6,115,833</b>
Allowance for impairment [b(ii)]	(351,811)	(408,090)	(413,441)
<b>Net exposure</b>	<b>7,896,008</b>	<b>6,330,099</b>	<b>5,702,392</b>

- b)(i) The following table explains changes in gross carrying amount of the credit related commitments and contingencies to help explain their significance to the changes in the credit loss allowance for the same portfolio.

	30 September 2022 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
<b>Gross carrying amount as at 1 January 2022</b>	<b>6,099,882</b>	<b>68,218</b>	<b>570,089</b>	<b>6,738,189</b>
Transfer to 12-month ECL	19,777	(18,219)	(1,558)	-
Transfer to lifetime ECL not credit – impaired	(2,331)	4,416	(2,085)	-
Transfer to lifetime ECL credit – impaired	(7,027)	-	7,027	-
New financial assets originated	2,451,373	5,875	169	2,457,417
Financial assets derecognised during the period	(318,356)	(32,549)	(9,522)	(360,427)
Other movements	(582,832)	(4,528)	-	(587,360)
<b>Gross carrying amount as at 30 September 2022</b>	<b>7,660,486</b>	<b>23,213</b>	<b>564,120</b>	<b>8,247,819</b>

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 14. COMMITMENTS AND CONTINGENCIES (continued)

	31 December 2021 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2021	5,537,717	138,446	480,558	6,156,721
Transfer to 12-month ECL	78,715	(73,073)	(5,642)	-
Transfer to lifetime ECL not credit – impaired	(36,249)	36,249	-	-
Transfer to lifetime ECL credit – impaired	(116,121)	(31,823)	147,944	-
New financial assets originated	792,465	10,866	-	803,331
Financial assets derecognised during the period	(297,705)	(2,628)	(13,375)	(313,708)
Other movements	141,060	(9,819)	(39,396)	91,845
Gross carrying amount as at 31 December 2021	<u>6,099,882</u>	<u>68,218</u>	<u>570,089</u>	<u>6,738,189</u>
	30 September 2021 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
Gross carrying amount as at 1 January 2021	5,537,717	138,446	480,558	6,156,721
Transfer to 12-month ECL	71,749	(71,749)	-	-
Transfer to lifetime ECL not credit – impaired	(34,742)	34,742	-	-
Transfer to lifetime ECL credit – impaired	(110,672)	(31,823)	142,495	-
New financial assets originated	625,445	8,048	-	633,493
Financial assets derecognised during the period	(264,936)	(3,951)	(5,869)	(274,756)
Other movements	(364,388)	(3,350)	(31,887)	(399,625)
Gross carrying amount as at 30 September 2021	<u>5,460,173</u>	<u>70,363</u>	<u>585,297</u>	<u>6,115,833</u>

Other movements mainly represent changes in exposures for customers where there has been no change in the stage during the period.

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## 14. COMMITMENTS AND CONTINGENCIES (continued)

- |   | 30 September 2022<br>(Unaudited) |  |                                    |                |
|---|----------------------------------|--|------------------------------------|----------------|
|   | 12 month<br>ECL                  | Life time<br>ECL not<br>credit<br>impaired | Lifetime<br>ECL credit<br>impaired | Total          |
|   | (SR'000)                         |  |                                    |                |
| <b>ECL as at 1 January 2022</b>                 | <b>13,569</b>                    | <b>8,153</b>                               | <b>386,368</b>                     | <b>408,090</b> |
| Transfer to 12-month ECL                        | 1,290                            | (511)                                      | (779)                              | -              |
| Transfer to lifetime ECL not credit – Impaired  | (1)                              | 1,043                                      | (1,042)                            | -              |
| Transfer to lifetime ECL credit impaired        | (37)                             | -  | 37                                 | -              |
| Net re-measurement of loss allowance            | 2,681                            | (1,223)                                    | 18,953                             | 20,411         |
| New financial assets originated                 | 11,811                           | 14   | 84                                 | 11,909         |
| Financial assets that have been derecognized    | (651)                            | (7,369)                                    | (9,420)                            | (17,440)       |
| Write-offs                                      | -                                | -  | (71,159)                           | (71,159)       |
| <b>ECL as at 30 September 2022</b>              | <b>28,662</b>                    | <b>107</b>                                 | <b>323,042</b>                     | <b>351,811</b> |
|   |                                  |  |                                    |                |
|   | 31 December 2021 (Audited)       |  |                                    |                |
|   | 12 month<br>ECL                  | Life time<br>ECL not<br>credit<br>impaired | Lifetime<br>ECL credit<br>impaired | Total          |
|   | (SR'000)                         |  |                                    |                |
| ECL as at 1 January 2021                        | 27,788                           | 6,547                                      | 336,752                            | 371,087        |
| Transfer to 12-month ECL                        | 1,217                            | (556)                                      | (661)                              | -              |
| Transfer to lifetime ECL not credit – Impaired  | (95)                             | 95   | -                                  | -              |
| Transfer to lifetime ECL credit impaired        | (4,100)                          | (2,321)                                    | 6,421                              | -              |
| Net re-measurement of loss allowance            | (11,083)                         | 4,265                                      | 53,015                             | 46,197         |
| New financial assets originated                 | 1,730                            | 163  | -                                  | 1,893          |
| Financial assets that have been<br>derecognized | (1,888)                          | (40)                                       | (9,159)                            | (11,087)       |
| <b>ECL as at 31 December 2021</b>               | <b>13,569</b>                    | <b>8,153</b>                               | <b>386,368</b>                     | <b>408,090</b> |

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 14. COMMITMENTS AND CONTINGENCIES (continued)

	30 September 2021 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SR'000)			
ECL as at 1 January 2021	27,788	6,547	336,752	371,087
Transfer to 12-month ECL	553	(553)	-	-
Transfer to lifetime ECL not credit – Impaired	(86)	86	-	-
Transfer to lifetime ECL credit impaired	(4,043)	(2,321)	6,364	-
Net re-measurement of loss allowance	(12,171)	4,634	52,831	45,294
New financial assets originated	1,199	106	-	1,305
Financial assets that have been derecognized	(1,603)	(43)	(2,599)	(4,245)
ECL as at 30 September 2021	11,637	8,456	393,348	413,441

- c) During 2018, the Bank reached a Settlement Agreement (the “Agreement”) with Zakat, Tax and Customs Authority [ZATCA] to comply with the directives provided by Royal Decree No. (26/M) dated 20 Rabi Al-Awaal 1440 H (28 November 2018) and the Ministerial Resolution No. 1260 dated 5 Rabi Al-Thani 1440 H (12 December 2018), in order to settle outstanding zakat liabilities for the years from 2006 to 2017 against a full and final payment of SR 551 million, payable in 6 instalments over a period of 5 years ending 1 December 2023. The Bank paid the first instalment of SR 110 million in December 2018 and three instalments of SR 88.2 million each during the month of November 2019, November 2020 and November 2021 respectively. Under the Agreement, the Bank and ZATCA also agreed to settle zakat for the year 2018 in accordance with the settlement framework provided by the Royal Decree and the Ministerial Resolution. As a result of the Agreement, all zakat related disputes between the Bank and the ZATCA pertaining to the years 2006 to 2017 stand resolved. In addition, Tax related disputes between the Bank and the ZATCA pertaining to years up to 2018 also stand resolved.

During the year 2020, the Bank received VAT assessment for the years 2018 and 2019 with an additional VAT of SR 39.3 million and associated delay fines amounting to SR 63.9 million. The Bank objected to the imposition of additional VAT and associated delay fines with the GSTC as a result of which one of the assessment point was dropped by ZATCA which resulted in a reduction of the overall liability to approximately SR 37 million. Subsequently, however, the Bank decided to settle the additional tax of SR 39.3 million “under protest” in order to avail the amnesty so that associated delay fines are waived.

The Bank has filed its zakat and Income Tax returns with the ZATCA and paid zakat and income tax for the years up to and including the year 2021, except for the amounts agreed as a liability under the Agreement which will be paid to ZATCA as and when they fall due.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows comprise the following:

	<b>30 September 2022 (Unaudited) SR'000</b>	<b>31 December 2021 (Audited) SR'000</b>	<b>30 September 2021 (Unaudited) SR'000</b>
Cash and balances with SAMA, excluding statutory deposit	<b>875,053</b>	1,074,988	1,888,654
Due from banks and other financial institutions with an original maturity of 90 days or less from the date of acquisition	<b>853,954</b>	665,048	524,715
<b>Total</b>	<b>1,729,007</b>	<b>1,740,036</b>	<b>2,413,369</b>

The reconciliation of cash and cash equivalents to cash and balances with Saudi Central Bank is as follows:

	<b>30 September 2022 (Unaudited) SR'000</b>	<b>31 December 2021 (Audited) SR'000</b>	<b>30 September 2021 (Unaudited) SR'000</b>
Cash and cash equivalents as per statement of cash flows	<b>1,729,007</b>	1,740,036	2,413,369
Statutory deposit	<b>4,433,798</b>	4,311,883	4,201,601
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	<b>(853,954)</b>	(665,048)	(524,715)
Cash and balances with SAMA	<b>5,308,851</b>	<b>5,386,871</b>	<b>6,090,255</b>

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

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### 16. OPERATING SEGMENTS

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Chief Executive Officer) in order to allocate resources to the segments and to assess their performance.

All of the Group's operations are based in the Kingdom of Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the interim condensed consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2021.

For management purposes, the Group is organized into following main operating segments:

#### **Personal banking**

Deposit, credit and investment products for individuals.

#### **Corporate banking**

Financing, deposits and other credit products for corporate, small to medium sized businesses and institutional customers.

#### **Treasury**

Treasury includes money market, foreign exchange, trading and treasury services.

#### **Brokerage and asset management**

Provides shares brokerage services to customers (this segment includes the activities of the Bank's subsidiary AlJazira Capital Company).

#### **Others**

Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The Group's total assets and liabilities at 30 September 2022 and 30 September 2021, its total operating income and expenses, and its net income for the nine month periods then ended, by operating segment, are as follows:

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 16. OPERATING SEGMENTS (continued)

(SR'000)	<u>Personal banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Brokerage and asset management</u>	<u>Others</u>	<u>Total</u>
<b>30 September 2022</b>						
<b>(Unaudited)</b>						
Total assets	34,964,299	31,477,186	41,058,705	2,625,095	215,254	110,340,539
Total liabilities	48,694,302	31,821,527	14,719,202	1,431,519	(51)	96,666,499
<b>Total operating income</b>	<b>1,422,764</b>	<b>574,786</b>	<b>653,683</b>	<b>229,704</b>	<b>(206,717)</b>	<b>2,674,220</b>
Of which:						
- Net financing and investment income / (loss)	1,010,779	449,031	423,850	44,431	(9,772)	1,918,319
- Fees from banking services, net	240,641	90,165	2,136	171,971	(33,128)	471,785
- Net (loss) / gain on FVIS financial instruments	(7,441)	(1,882)	13,935	10,097	(1,922)	12,787
<b>Total operating expenses</b>	<b>(1,012,215)</b>	<b>(399,934)</b>	<b>(138,650)</b>	<b>(139,307)</b>	<b>1,964</b>	<b>(1,688,142)</b>
Of which:						
- Impairment charge for financing and other financial assets, net	(18,528)	(210,956)	(6,627)	-	-	(236,111)
- Depreciation and amortization	(109,584)	(14,712)	(12,795)	(7,196)	(1)	(144,288)
Share in net income of an associate	-	-	-	622	3,731	4,353
Net income / (loss) before zakat and income tax	410,549	174,852	515,033	91,019	(201,022)	990,431
<b>31 December 2021</b>						
<b>(Audited)</b>						
Total assets	34,768,520	28,579,132	36,691,354	2,577,924	210,391	102,827,321
Total liabilities	49,372,448	27,578,632	10,506,992	1,474,930	(752)	88,932,250

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 16. OPERATING SEGMENTS (continued)

<b>(SR'000)</b> <b>30 September 2021</b> <b>(Unaudited)</b>	<b>Personal banking</b>	<b>Corporate banking</b>	<b>Treasury</b>	<b>Brokerage and asset management</b>	<b>Others</b>	<b>Total</b>
Total assets	32,188,526	25,524,126	38,427,161	2,228,904	209,029	98,577,746
Total liabilities	46,116,010	26,359,616	11,243,873	1,189,211	(907)	84,907,803
<b>Total operating income</b>	<b>1,425,815</b>	<b>511,913</b>	<b>639,560</b>	<b>233,765</b>	<b>(158,917)</b>	<b>2,652,136</b>
Of which:						
- Net financing and investment income / (loss)	1,085,502	418,481	421,292	28,507	(4,813)	1,948,969
- Fees from banking services, net	227,910	74,282	343	198,266	(18,662)	482,139
- Net (loss) / gain on FVIS financial instruments	(4,540)	(2,341)	(1,028)	5,140	(1,345)	(4,114)
<b>Total operating expenses</b>	<b>(836,298)</b>	<b>(751,863)</b>	<b>(102,964)</b>	<b>(127,755)</b>	<b>2,527</b>	<b>(1,816,353)</b>
Of which:						
- Impairment (charge) / reversal for financing and other financial assets, net	5,766	(474,858)	(123)	-	-	(469,215)
Impairment charge for other real estate	-	(42,571)	-	-	-	(42,571)
- Depreciation and amortization	(105,069)	(22,320)	(11,874)	(9,122)	-	(148,385)
Share in net income of an associate	-	-	-	945	5,669	6,614
Net income / (loss) before zakat and income tax	589,517	(239,950)	536,596	106,955	(111,331)	881,787

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

#### Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments"

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

- The following table presents the Group's financial assets and liabilities that are measured at fair values:

		<b>30 September 2022 (Unaudited)</b>		
		<b>Fair Value (SR'000)</b>		
	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b><u>Financial assets measured at fair value:</u></b>				
FVIS - Mutual funds	763,877		763,877	763,877
FVIS - Equities	-	-	-	-
FVOCI - Sukuk - equity	1,657,409	-	1,657,409	1,657,409
FVOCI - Sukuk - debt	7,566,733	-	7,566,733	7,566,733
Shari'ah compliant derivatives	261,001	-	261,001	261,001
<b>Total</b>	<b>10,249,020</b>	<b>-</b>	<b>10,249,020</b>	<b>10,249,020</b>
<b><u>Financial liabilities measured at fair value:</u></b>				
Shari'ah compliant derivatives	197,009	-	197,009	197,009

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### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		31 December 2021 (Audited)		
		Fair Value (SR'000)		
	Carrying Value	Level 1	Level 2	Total
<b><u>Financial assets measured at fair value:</u></b>				
FVIS - Mutual funds	262,443	-	262,443	262,443
FVIS - Equities	4,349	4,349	-	4,349
FVOCI – Sukuk – equity	185,918	-	185,918	185,918
FVOCI – Sukuk – debt	3,872,558	-	3,872,558	3,872,558
Shari'ah compliant derivatives	12,058	-	12,058	12,058
<b>Total</b>	<b>4,337,326</b>	<b>4,349</b>	<b>4,332,977</b>	<b>4,337,326</b>
<b><u>Financial liabilities measured at fair value:</u></b>				
Shari'ah compliant derivatives	227,309	-	227,309	227,309
		30 September 2021 (Unaudited)		
		Fair Value (SR'000)		
	Carrying Value	Level 1	Level 2	Total
<b><u>Financial assets measured at fair value:</u></b>				
FVIS - Mutual funds	447,222	-	447,222	447,222
FVIS - Equities	2,736	2,736	-	2,736
FVOCI – Sukuk – equity	187,969	-	187,969	187,969
FVOCI – Sukuk - debt	2,232,977	-	2,232,977	2,232,977
Shari'ah compliant derivatives	40,199	-	40,199	40,199
<b>Total</b>	<b>2,911,103</b>	<b>2,736</b>	<b>2,908,367</b>	<b>2,911,103</b>
<b><u>Financial liabilities measured at fair value:</u></b>				
Shari'ah compliant derivatives	271,037	-	271,037	271,037

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options, profit rate swaps and structured deposits. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Profit rate swaps, wa'ad options and structured deposits are fair valued using forward profit rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

There were no changes in valuation techniques during the period.

There were no transfers between Levels 1 and 2 during the period. New investments acquired during the period / year are classified under the relevant levels. There were no financial assets or financial liabilities at fair value classified under level 3.

Investments amounting to SR 4.81 million (31 December 2021: SR 4.89 million and 30 September 2021: SR 4.90 million) are carried at cost and, accordingly, are not fair valued.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

- b) Following table represent fair values of financial assets and liabilities which are carried at amortised cost. There are no financial assets and liabilities where fair value is measurable as level 1 and level 3 fair value.

	30 September 2022 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
<b><u>Financial assets:</u></b>		
Due from banks and other financial institutions, net	895,392	893,425
Investment held at amortised cost, net	23,012,762	22,526,777
Financing, net	67,712,106	67,891,269
<b>Total</b>	<b>91,620,260</b>	<b>91,311,471</b>
<b><u>Financial liabilities:</u></b>		
Due to banks and other financial institutions	10,250,861	10,640,098
Customers' deposits	82,279,800	82,315,874
Subordinated Sukuk	2,023,504	2,023,504
<b>Total</b>	<b>94,554,165</b>	<b>94,979,476</b>

	31 December 2021 (Audited) (SR'000)	
	Amortised cost	Fair value Level 2
<b><u>Financial assets:</u></b>		
Due from banks and other financial institutions, net	663,502	663,433
Investment held at amortised cost, net	27,103,652	27,709,627
Financing, net	62,434,476	64,795,397
<b>Total</b>	<b>90,201,630</b>	<b>93,168,457</b>
<b><u>Financial liabilities:</u></b>		
Due to banks and other financial institutions	6,410,080	6,875,477
Customers' deposits	78,365,149	78,426,210
Subordinated Sukuk	1,994,685	1,994,685
<b>Total</b>	<b>86,769,914</b>	<b>87,296,372</b>

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### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	30 September 2021 (Unaudited) (SR'000)	
	Amortised cost	Fair value Level 2
<b><u>Financial assets:</u></b>		
Due from banks and other financial institutions, net	540,668	540,519
Investment held at amortised cost, net	28,118,855	28,952,546
Financing, net	58,439,318	61,203,484
<b>Total</b>	<b>87,098,841</b>	<b>90,696,549</b>
<b><u>Financial liabilities:</u></b>		
Due to banks and other financial institutions	8,323,813	8,803,841
Customers' deposits	74,263,749	74,326,742
<b>Total</b>	<b>82,587,562</b>	<b>83,130,583</b>

The fair value of the cash and balances with Saudi Central Bank, other assets and other liabilities approximate to their carrying amount. The fair values of level 2 financial instruments are estimated as at 30 September 2022 at the current applicable yield curve taking into account the counterparty risks and applicable market rate.

#### Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at 30 September 2022, 31 December 2021 and 30 September 2021, as well as the significant unobservable inputs used.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Type	Accounting Classification	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mutual Fund units	FVIS	Fair valued using the quoted prices of underlying securities.	Not applicable	Not applicable
Investment held at FVOCI – Sukuks (debt & equity)	FVOCI	Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate.	Not applicable	Not applicable
Forward exchange contracts (Wa'ad) and Profit rate swaps	FVIS	<b>Forward exchange contracts (Wa'ad):</b> Fair valued using discounted Notional techniques that use observable market data inputs for Foreign Exchange (FX) and yield curves <b>Profit rate swaps:</b> The fair value is determined by discounting the future cash flows using observable market data inputs for yield curves.	Not applicable	Not applicable
Due from banks and other financial institutions, Financing, Due to banks and other financial institutions, Customer Deposits	Amortised Cost	<b>Market Data:</b> Used observable market data inputs for yield curves. <b>Fair value technique:</b> The fair value is determined by discounting the future cash flows. A discounted cash flow is the product of: <ul style="list-style-type: none"> <li>The anticipated nominal magnitude and sign of a cash flow.</li> <li>The accumulated discount over the amount of time remaining until the anticipated time of the cash flow, at a rate of discount.</li> </ul> The fair value is determined only for the Customers' time investments.	Not applicable	Not applicable
Investment held at amortised cost - net	Amortised Cost	Fair valued using the quoted prices, where available.	Not applicable	Not applicable

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 18. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored on a periodic basis by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum percentage.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its interim condensed consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

The following table summarizes the Group's Pillar-I Risk Weighted Assets ("RWA"), Tier I and Tier II Capital and Capital Adequacy Ratios:

	<b>30 September 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>	<b>30 September 2021 (Unaudited)</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
Credit Risk RWA	<b>69,835,846</b>	62,154,881	57,311,402
Operational Risk RWA	<b>6,315,087</b>	5,993,235	5,866,549
Market Risk RWA	<b>2,824,937</b>	1,593,934	1,571,301
<b>Total Pillar-I RWA</b>	<b>78,975,870</b>	69,742,050	64,749,252
Common Equity Tier 1 (CET 1) Capital	<b>12,163,674</b>	12,763,118	12,545,340
Additional Tier 1 (AT1) Capital	<b>1,875,000</b>	1,875,000	1,875,000
Tier I Capital	<b>14,038,674</b>	14,638,118	14,420,340
Tier II Capital	<b>2,499,732</b>	2,384,970	378,348
<b>Total Tier I and II Capital</b>	<b>16,538,406</b>	17,023,088	14,798,688
Capital Adequacy Ratio (%)			
Common Equity Tier I Ratio	<b>15.40%</b>	18.30%	19.38%
Tier I ratio	<b>17.78%</b>	20.99%	22.27%
Total Tier I and II Capital	<b>20.94%</b>	24.41%	22.86%

### 19. DIVIDEND

The Board of Directors approved on 1 August 2022 an interim dividend of SR 328 million for the first half of 2022 (30 September 2021: SR 287 million). This resulted in a payment of SR 0.4 per share (30 September 2021: SR 0.35 per share), net of zakat to the shareholders of the Bank during the current period ended 30 September 2022.

In addition, the Board of Directors in their meeting held on 7 February 2022 approved a dividend payment of SR 287 million equal to SR 0.35 per share for the second half of 2021, net of zakat which was paid during the current period ended 30 September 2022. This dividend was calculated based on 820 million shares.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

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### 20. IMPACT OF SAMA PROGRAMS

The Private Sector Financing Support Program (“PSFSP”) launched by SAMA in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H, has ended on 31 March 2022.

During the nine-month period ended September 30, 2022, SR 0.73 million (September 30, 2021: SR 129.32 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SR 2.61 million deferred grant income as at September 30, 2022 (December 31, 2021: SR 3.34 million). During the three-month period ended September 30, 2022, SR 0.24 million has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

### 21. IBOR Transition (Profit Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk-Free Rate (“RFR”). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective profit rate resulting in no immediate statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

The Group has exposure to IBOR rates that are subject to reform through its borrowing under repo agreements, financing and profit rate swaps used for hedging purpose.

During 2019 the Board established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel to oversee the Group’s USD LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference USD LIBOR to transition them to SOFR (Secured Overnight Financing Rate), with the aim of minimizing the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at September 30, 2022, changes required to systems, processes and models have been identified and the same will be implemented before the IBOR transition cutover date. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed.

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

### 21. IBOR Transition (Profit Rate Benchmark Reforms) (continued)

The Group has identified that the areas of most significant risk arising from the replacement of USD LIBOR are: updating systems and processes which capture USD LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and financing transitioning from USD LIBOR and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participant, to ensure an orderly transition to SOFR (Secured Overnight Financing Rate), and to minimize the risks arising from transition, and it will continue to identify and assess risks associated with USD LIBOR replacement.

The Group currently has a number of contracts which reference USD LIBOR and extend beyond reporting date, including swaps which will transition under the ISDA protocols. These contracts are disclosed within the table below.

The following table contains details of all of the financial instruments that the Group holds at September 30, 2022 which reference USD LIBOR and have not yet transitioned to an alternative profit rate benchmark.

#### Non-derivative assets and liabilities exposed to USD LIBOR

	Carrying Value/Nominal Amount at September 30, 2022	Of which have yet to transition to an alternative benchmark profit rate as at September 30, 2022
	Assets	Liabilities
		SR'000
<b><u>Measured at amortised cost</u></b>		
Financing	1,823,793	1,823,793
Due to banks and other financial institutions		144,335

#### Hedge accounting

The Group holds a portfolio of short term variable rate exposures and therefore is exposed to changes in cashflows due to movements in market profit rates. The Group manages this risk exposure by entering into pay fixed / receive floating profit rate swaps.

The following table contains details of only the hedging instruments used in the Group's hedging strategies which reference USD LIBOR and have not yet transitioned to an alternative profit rate benchmark, such that phase 1 relief(s) have been applied to the hedging relationship:

	Carrying amount (SR '000)			Balance sheet line item(s)	Changes in fair value used for calculating hedge ineffectiveness	Notional amount directly impacted by IBOR reform
	Notional	Assets	Liabilities			
<b>Cash flow hedges</b>						
Profit rate swaps	487,500	16,939	2,767	Customer Deposits	Nil	487,500

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (CONTINUED)

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### 21. IBOR Transition (Profit Rate Benchmark Reforms) (continued)

#### Hedge accounting (continued)

Of the SR 487.50 million nominal amount of profit rate swaps above, SR 93.75 million will mature before the anticipated USD LIBOR replacement in Q2 2023.

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

### 22. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified so as to align with the current period presentation. However, there was no impact of such reclassifications on the interim condensed consolidated statement of income and interim condensed consolidated statement of changes in equity.

### 23. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors of the Bank on 23 October 2022 (corresponding to 27 Rabi ul Awal 1444H).